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INTERNATIONAL TRADE

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1. Net Advantages of International Trade

Net advantages may be summed up as: increase of utility i.e. with a given amount of effort a nation gains a larger satisfaction by means of I. T. than it would get in the absence of such trade

Advantages -

(1). Goods become of commercial value which would have been of no utility to us for foreign demand. eg. Nuts in Canada - Rubber in tropics.

(2). Through I. T. continuity of demand & supply so that price fluctuations are limited to a narrower range - famine & scarcity also mitigated.

(3). Concentration of special kinds of production leads to further gain because the law of increasing returns comes into operation

(4). I. T. acts as a check to monopolies & limits profit as it creates new markets for home produce.

(5). Enables a country to get articles which the country itself cannot produce - Tea in England - cotton for U.S.A.

(6) - Each commodity in that country which possesses superior facilities is produced. Eg. Coal from in England, wine & silk in Italy ∴ by I.T. a country can obtain articles which it cannot produce unless in running great costs itself, cheaply by exchange.

Also a wealth thus is specialization in those agencies which are most productive & yielding high returns in that country.

Disadvantages (1) How is it distributed? Trade may be attacked by a few countries leaving the others in no better position than before.

(2) Over rapid development - to agricultural countries e.g. Egypt & undue & industrial concentration & consequent evils

(3). May disorganize a country's economic life by over production & exhaustion of natural resources